

ANNUAL REPORT
FOR THE
FISCAL YEAR ENDED NOVEMBER 30, 1957



THE EAGLE PICHER COMPANY
EXECUTIVE OFFICES CINCINNATI, OHIO

THE EAGLE PITCHER COMPANY

DIRECTORS

WILLIAM R DICE	ORSON A ROCKWELL
LOUIS A FISHER	JOHN J ROWE
CARL A GEIST	HERMON F SAFFORD
CARL F HERTFNSTEIN	T SPENCER SHORE
STANLEY R MILLER	GEORGE A SPIVA
WILLIAM H MITCHELL	MILES M ZOLLER

OFFICERS

T SPENCER SHORE	PRESIDENT
CLEO J CHRISTNER	VICE PRESIDENT
WILLIAM R DICE	VICE PRESIDENT AND COMPTROLLER
LOUIS A FISHER	VICE PRESIDENT
CARL A GEIST	VICE PRESIDENT AND TREASURER
ROBERT S JOHNSON	VICE PRESIDENT
ORSON A ROCKWELL	VICE PRESIDENT
HERMON F SAFFORD	VICE PRESIDENT
MILES M ZOLLER	VICE PRESIDENT
RICHARD SERVIS	SECRETARY
JOHN C HEISLER	ASSISTANT TREASURER
CORBIN E SHOUSE	ASSISTANT SECRETARY
JOHN H WINCHESTER	ASSISTANT SECRETARY
A C ZIMMERMAN	ASSISTANT SECRETARY

TRANSFER AGENTS Guaranty Trust Company of New York
The Central Trust Company Cincinnati

REGISTRARS The Chase Manhattan Bank New York
The Fifth Third Union Trust Company Cincinnati

THE EAGLE PITCHER COMPANY

TO OUR SHAREHOLDERS

The Company's program of expansion and diversification initiated several years ago proved advantageous to shareholders during 1957

Net sales for the fiscal year ended November 30, 1957 were at an all time high

Net profit while adversely affected by depressed conditions in the non ferrous metal industry was almost double dividend requirements

Dividends paid were the largest in the Company's history

At the end of the 1957 fiscal year our financial position was exceptionally strong Working capital and net worth were at new peaks

In 1957 the Company acquired the assets of The Gora Lee Corporation commercial production of silicon was started and construction of a new diatomaceous earth plant was begun

Sales

Net sales for the fiscal year ended November 30 1957 amounted to \$117 752 694 compared with \$116 407 000 for the previous year Sales of the Mining and Smelting Division declined more than 30% reflecting lower prices for zinc and lead during seven months of the fiscal year and lesser tonnages of metals sold due in part to a four months strike at the Henryetta smelter

Earnings

Net profit for the fiscal year ended November 30 1957 amounted to \$4 266 706 or \$4 25 per share compared with net profit from operations of \$5 496 794 or \$5 47 per share for the 1956 fiscal year based on the number of shares outstanding at the end of each period Including non recurring net profit from special items of \$409 636 or 41 cents per share net profit for the 1956 fiscal year was \$5 906 430 or \$5 88 per share

The Company has six operating divisions earnings of which fluctuate considerably from year to year The industries served by these divisions are numerous and represent a broad cross section of the American economy As a result the Company in recent years has experienced within its own operations many of the rolling readjustments which have characterized the economy as a whole

Operations of the Chicago Vitreous Corporation acquired by Eagle Pitcher on November 30 1956 are included in the Company's statement for the first time in 1957 Two divisions — the Mining and Smelting Division and the Insulation Division — showed lower profits in 1957 than in 1956 The former was adversely affected by sharp declines in zinc and lead prices starting in May and for the balance of the year its operations

TEN YEAR SUMMARY OF OPERATIONS

YEARS ENDED NOVEMBER 30	1957	3 YEAR AVERAGE 1954-1956	3 YEAR AVERAGE 1951-1953	3 YEAR AVERAGE 1948-1950
NET SALES	\$117 752 694	\$104 706 987	\$83 004 263	\$70 650 817
NET PROFIT BEFORE INCOME TAXES	7 531 706	8 877 562	6 593 472	4 215 506
NET PROFIT	4 266 706	4 452 440	3 660,805	2,179 915
NET PROFIT PER SHARE (on Present Capitalization)	4 25	4 44	3 65	2 17
DEPRECIATION DEPLETION AND AMORTIZATION	3 216 858	2 685 361	1 559 232	1 399 412
CASH GENERATED (Net Profit Plus Depreciation Depletion and Amortization)	7 483 564	7 137 801	5,220 037	3 579 327

were a drain on the Company. Substantial inventory write-downs were largely offset by credits derived from base stock reserves. Lower profits in the Insulation Division resulted from unsatisfactory conditions in the aluminum storm enclosure industry, a decline in new housing starts being a contributing factor.

Balance Sheet

Shareholders' net worth at November 30, 1957 was \$40,858,362 or \$40.74 per share, an increase of \$1,959,118 over net worth at the end of the previous year.

Patents at cost less amortization valued at \$1,909,533 at the end of 1957 arose from purchase of The Gora Lee Corporation, discussed below.

Working capital at November 30, 1957 amounted to \$27,786,595, a new all-time high. Cash and United States Government securities aggregated \$11,472,791, a decrease of \$2,474,290. Inventories of \$17,024,084 at November 30, 1957 were \$779,441 higher than the corresponding figure a year ago.

Net fixed assets of \$23,549,875 at November 30, 1957 were \$839,474 below the comparable figure of \$24,389,349 a year earlier. While depreciation, depletion and amortization charges for 1957 totaling \$3,216,858 were not fully re-invested, it should be pointed out that these charges included a substantial amount of accelerated depreciation and the increase in patents from the Company's standpoint was equivalent to an increase in fixed assets.

Dividends

Dividends declared during 1957 amounted to \$2.20 per share, a new high compared with \$2.00 per share declared in 1956, \$1.80 per share in 1955 and \$1.50 per share in 1954.

The Company has now paid dividends in each of the last 21 years, and the dividend payable in March 1958 will mark the 72nd consecutive quarterly payment.

New Activities

For a number of years the Insulation Division has been mining and processing diatomaceous earth from its deposit near Clark, Nevada, which it sells to the ammonium nitrate fertilizer industry as a conditioning agent in high analysis fertilizers to manufacturers of calcium silicate insulation products as a filler in the manufacture of paper and as an oil absorbent in factories. After extensive exploration, the Company has discovered and leased for a long term a large deposit of filter aid material which is used by the pharmaceutical, brewing, sugar refining and other food industries. An independent geological survey showed the new deposit to be sizable and of high quality. A works plant was built in late 1956 and the product was successfully tested in the field during 1957. The Company is now building a processing plant near Lovelock, Nevada, scheduled for completion in August 1958. Investment in new plant and equipment will be about \$2,500,000, which constitutes a major addition to the facilities of the Insulation Division.

SUMMARY OF NET WORTH

	NOVEMBER 30, 1957		NOVEMBER 30, 1956	
	AMOUNT	PER SHARE	AMOUNT	PER SHARE
SHAREHOLDERS' NET WORTH	<u>\$40,858,362</u>	<u>\$40.74</u>	<u>\$38,899,244</u>	<u>\$38.71</u>
THIS OWNERSHIP WAS REPRESENTED BY				
Working capital (current assets less current liabilities)	\$27,786,595	\$27.71	\$27,298,811	\$27.16
Net fixed assets	23,549,875	23.48	24,389,349	24.27
Other assets	5,587,649	5.57	3,176,865	3.16
Total	<u>\$56,924,119</u>	<u>\$56.76</u>	<u>\$54,865,025</u>	<u>\$54.59</u>
FROM WHICH MUST BE DEDUCTED				
Long term debt	\$15,000,000	\$14.96	\$15,000,000	\$14.92
Reserves	1,065,757	1.06	965,781	0.96
Total	<u>\$16,065,757</u>	<u>\$16.02</u>	<u>\$15,965,781</u>	<u>\$15.88</u>
SHAREHOLDERS' NET WORTH	<u>\$40,858,362</u>	<u>\$40.74</u>	<u>\$38,899,244</u>	<u>\$38.71</u>

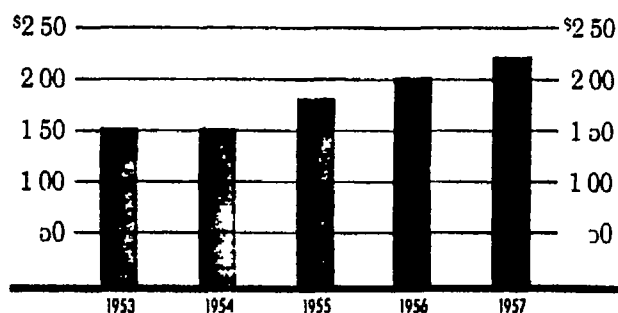
The Ohio Rubber Company Division entered into an agreement with The Gora Lee Corporation in 1953 for exclusive license in the United States of its automatic molding machines designed to produce a wide variety of high precision molded rubber part at a rapid rate. After developing a number of items for various industrial uses The Ohio Rubber Company in February 1957 purchased all of the assets of Gora Lee including patents and its Stratford Connecticut plant. This acquisition has already broadened The Ohio Rubber Company's product line and offers further attractive growth possibilities. Purchase price of the patents which run for eleven years amounted to approximately \$2,000,000 and is being amortized over their life.

The Mining and Smelting Division during 1957 expanded its Rare Metals Plant at Miami, Oklahoma to produce silicon which is now being made and sold commercially in small quantities. Usage of this metal has been increasing rapidly in the semi-conductor field particularly in applications where high temperatures are found. Generally speaking it is complementary to rather than competitive with germanium of which Eagle Picher is the largest domestic producer. This further broadens the activities of the Mining and Smelting Division which in addition to zinc lead and rare metals produces and sells chat and cadmium and owns The Northeast Oklahoma Railroad Company and the Consolidated Supply Company.

Shareholders

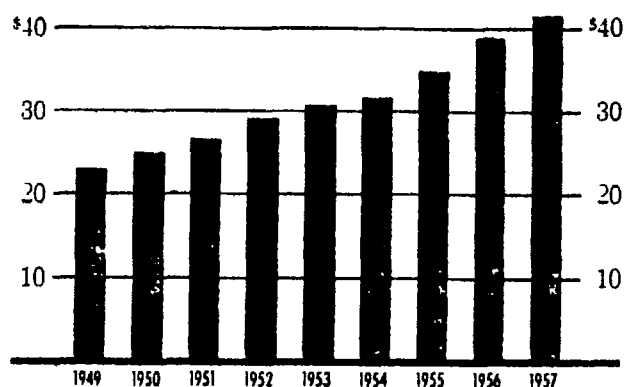
At November 22, 1957 the Company had 7,039 registered shareholders as compared with 6,910 shareholders a year earlier. These figures do not include the many hundreds of beneficial shareholders whose shares are registered in the names of brokers or nominees of banks. Neither do they include some 500 salaried employee shareholders who are paying for their savings plan shares through payroll deductions and whose shares are held by a nominee.

DIVIDENDS PAID PER SHARE (Calendar Year)



NET WORTH PER SHARE

At November 30
(Based on price of \$17.00)



Directors and Officers

It is with sincere sorrow that we report the passing on August 24, 1957 of Mr. Joel M. Bowlby. Mr. Bowlby served as President from 1941 to 1949 and as Chairman of the Board from 1949 to 1955; he was a Director of the Company from 1941 until his decease. He consistently rendered loyal and intelligent and constructive service to The Eagle Picher Company and his loss is deeply felt.

Mr. Robert S. Johnson, formerly Vice President of the Warner Lambert Pharmaceutical Company, was elected a Vice President of The Eagle Picher Company as of July 1, 1957.

General

All officers, all members of the Board of Directors and a large percentage of salaried employees are shareholders of The Eagle Picher Company in some cases to an important extent in relation to their net worth. It is more than a platitude, therefore, to say that this organization is definitely profit-minded and desirous of increasing the return on shareholders' investment. Our primary objective in expanding and diversifying the Company's business is to increase per share earnings.

In pursuit of these objectives the Company during the past five years has expanded both from within and from without, the latter including the purchase of three of its present six operating divisions. As indicated by developments during 1957, opportunities to expand from within the Company are constantly growing and we have every confidence that such opportunities will continue in the future.

Elmer Shore
President

Cincinnati, Ohio
January 27, 1958

THE EAGLE-PICHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	<u>1957</u>	<u>1956</u>
CURRENT ASSETS		
Cash	\$ 7 399 394	\$ 8 599 143
U S Government obligations — at cost (approximate market)	815 855	—
Accounts and notes receivable less allowance for doubtful receivables \$359 269 and \$294 221	11 315 753	12 862 879
Inventories of raw materials work in process finished products and supplies (note 1)	<u>17 024 084</u>	<u>16 244 643</u>
TOTAL CURRENT ASSETS	<u>36 550 086</u>	<u>37 706 665</u>
 OTHER ASSETS		
Repair parts and maintenance supplies	867 276	818 250
Investments at or below cost and miscellaneous accounts and advances	<u>1 443 373</u>	<u>1 097 458</u>
	<u>2 310 649</u>	<u>1 915 708</u>
 PROPERTY PLANT AND EQUIPMENT AT COST	62 105 923	61 529 057
Less Allowance for depreciation depletion etc	<u>38 556 048</u>	<u>37 139 708</u>
	<u>23 549 875</u>	<u>24 389 349</u>
 PATENTS AT COST — less amortization \$131 933	<u>1 909 533</u>	<u>—</u>
 PREPAID AND DEFERRED CHARGES		
Prepaid freight insurance etc	581 246	498 578
Miscellaneous deferred charges	<u>786 221</u>	<u>762 579</u>
	<u>1 367 467</u>	<u>1 261 157</u>
	<u><u>\$65 692 610</u></u>	<u><u>\$65 272 879</u></u>

The accompanying notes are a

AND DOMESTIC SUBSIDIARIES

AS AT NOVEMBER 30 1957 AND 1956

LIABILITIES	<u>1957</u>	<u>1956</u>
CURRENT LIABILITIES		
Accounts payable	\$ 5 295 097	\$ 6 532 943
Dividend payable	551 635	552 848
Accrued liabilities	2 921 759	2 707 901
Federal taxes on income less U S Government obligations at cost \$3 257 542 and \$5 347 943	—	614 162
TOTAL CURRENT LIABILITIES	<u>8 768 491</u>	<u>10 407 854</u>
 LONG TERM DEBT — 3¾% notes maturing serially to July 15 1974 (note 2)	 <u>15 000 000</u>	 <u>15 000 000</u>
 RESERVES FOR SELF INSURANCE	 <u>1 065 757</u>	 <u>965 781</u>
 STOCKHOLDERS EQUITY		
Capital stock — par value \$10 per share authorized 1 500 000 shares issued and outstanding 1 013 077 shares (note 3)	10 130 770	10 120 770
 Surplus		
Capital surplus	3 009 780	2 998 619
Earned surplus (note 2)	28 127 827	26 070 822
	<u>41 268 377</u>	<u>39 190 211</u>
 Less Treasury stock 10,105 shares — at cost	 <u>410 015</u>	 <u>290 967</u>
	<u>40 858 362</u>	<u>38 899 244</u>
	<u><u>\$65 692 610</u></u>	<u><u>\$65 272 879</u></u>

integral part of this balance sheet

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30 1957 AND 1956

	<u>1957</u>	<u>1956</u>
INCOME		
Net sales	\$117 752 694	\$116 407 000
Other income	<u>367 430</u>	<u>543 713</u>
	<u>118 120 124</u>	<u>116 950 713</u>
 COSTS AND EXPENSES		
Production and manufacturing costs	96 878 873	93 145 569
Selling general and administrative expenses	9 917 189	8 654 651
Provision for depreciation depletion and patent amortization	3 216 858	3 096 237
Interest	<u>575 498</u>	<u>572 462</u>
	<u>110 588 418</u>	<u>105 468 919</u>
 PROFIT FROM OPERATIONS — before Federal and		
State taxes on income	7 531 706	11 481 794
 FEDERAL AND STATE TAXES ON INCOME	<u>3 265 000</u>	<u>5 985 000</u>
 NET PROFIT FROM OPERATIONS	4 266 706	5 496 794
 NET PROFIT FROM SPECIAL ITEMS		
Non recurring profit from Mexican subsidiaries less special charges	<u>—</u>	<u>409 636</u>
 NET PROFIT FOR YEAR	4 266 706	5 906 430
 EARNED SURPLUS AT BEGINNING OF YEAR	<u>26 070 822</u>	<u>22 170 961</u>
	30 337 528	28 077 391
 CASH DIVIDENDS PAID AND ACCRUED	<u>2 209 701</u>	<u>2 006 569</u>
 EARNED SURPLUS AT END OF YEAR (note 2)	<u><u>\$ 28 127 827</u></u>	<u><u>\$ 26 070 822</u></u>

The accompanying notes are an integral part of this statement

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30 1957

- 1 Ores metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc 9 000 and 16 000 tons respectively at fixed prices based on 65 cents per pound for lead (New York) and 5 cents per pound for zinc (East St Louis) under the base stock method of inventory valuation adopted at November 30 1949

Other inventories have been valued at average and standard costs or lower which approximate replacement market

- 2 Under the provisions of the loan agreement pertaining to the 3¾% notes due July 15 1974 the company is required to prepay \$1 000 000 on July 15 of each year to maturity commencing in 1960

The 3¾% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in capital stock of the company) or applied to the purchase redemption or retirement of the company's capital stock At November 30 1957 the amount not so restricted was approximately \$10 250 000

- 3 Under a stock option plan approved by the stock holders of the company on March 23 1954 key employees of the company may be granted options to purchase an aggregate of 75 000 shares of capital stock of the company Options granted under this plan shall be for terms not to exceed ten years and shall not be exercisable until one year from the date granted or at any time unless the last sales price (market quotation) before the date of exercise is at least 20% above the option price the option price being the fair market value but not less than the last sales price of such stock on the

New York Stock Exchange at the date of granting The shares subject to each option shall become purchasable to the extent of 25% on the first and each successive anniversary of the date on which the option was granted the installment rights being cumulative As of November 30 1957 options have not been granted for 2 000 shares of the capital stock authorized to be issued

At November 30 1957 there were outstanding options entitling the holders thereof to purchase 40 350 shares at \$19 375 per share 5 250 shares at \$26 375 per share and 3 000 shares at \$39 75 per share

- 4 As of November 30 1956 the company purchased for a cash consideration of \$936 261 in excess of the book value all of the assets of the Chicago Vitreous Corporation In the annual report for the year 1956 this excess was charged against profits At that time an appraisal of the properties had not been made and management considered it proper and conservative not to capitalize the excess The company has now received an appraisal which indicates that this excess could reasonably be allocated to property plant and equipment In preparing reports to the Securities and Exchange Commission the excess has been capitalized in property plant and equipment and is being depreciated on the basis of the estimated lives of such assets acquired resulting in an increase in income of \$936 261 in 1956 and a reduction of approximately \$30 000 in 1957

- 5 A portion of the company's sales for the year ended November 30 1957 is subject to renegotiation under the Renegotiation Act of 1951 Management is of the opinion that adjustment if any will not be significant

PEAT MARWICK, MITCHELL & CO

Accountants and Auditors

CINCINNATI 2 OHIO

THE BOARD OF DIRECTORS

THE EAGLE Picher COMPANY

We have examined the consolidated balance sheet of The Eagle Picher Company and its domestic subsidiaries as of November 30 1957 and the related statement of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the explanation contained in note 4 of notes to consolidated financial statements, the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus present fairly the financial position of The Eagle Picher Company and its domestic subsidiaries at November 30 1957 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO

Cincinnati, Ohio

January 24 1958

FIVE-YEAR SUMMARY

FOR THE FISCAL YEARS 1953 - 1957

SOURCE OF FUNDS		APPLICATION OF FUNDS	
Net Profit	\$20,866 993	Dividends Paid	\$ 8,982 191
Depreciation Depletion and Amortization	12 830,999	Capital Additions	23,419 016
Increase in Long Term Debt	1 425 000	Patents & Patent Rights Acquired	2 041 467
Decrease in Foreign Investments	930,508	Increase in Working Capital	4 662 193
Disposition of Fixed Assets	4 059 268	Increase in Other Assets	1 277 555
Other Sources	679 669	Other	410 015
	<u>\$40 792 437</u>		<u>\$40 792 437</u>

FOR THE YEARS ENDED NOVEMBER 30 1957 1956 1955 1954 1953

INCOME STATEMENT

Net Sales	\$117 752 694	\$116 407 000	\$114 480 080	\$83 233 880	\$85 033 403
Depreciation Depletion and Amortization	3 216 858	3,096 237	2 969 269	1 990 578	1 557 372
Net Profit Before Income Taxes	7 531 706	11 481 794	10 204 062	4 946 829	5 952 966
Net Profit	4 266 706	5 906 430	5 004 062	2 446 829	3 242 966
Net Profit Per Share	4 25	5 88	5 06	2 47	3 28
Dividend Per Share—Calendar Year	2 20	2 00	1 80	1 50	1 50
AS AT NOVEMBER 30	1957	1956	1955	1954	1953

BALANCE SHEET

Property Plant & Equipment, net	\$23,549 875	\$24 389 349	\$24 470 614	\$25 824 409	\$17 583 985
Working Capital	27 786 595	27,298,811	23,247 257	18 447 048	25,808 749
Long Term Debt	15 000 000	15 000 000	15 000 000	15 000 000	15 000 000
Net Worth	40 858 362	38 899 244	34 834 412	31 610 917	30 646 045
Net Worth Per Share	40 74	38 71	35 22	31 96	30 98
Shares Outstanding at Year end	1 002 972	1,005 000	989 177	989,177	989 177

PRINCIPAL PROPERTIES AND PRODUCTS

CHEMICAL DIVISION

MANUFACTURING PLANTS GALENA KANSAS HILLSBORO ILLINOIS
JOPLIN MISSOURI

PRINCIPAL PRODUCTS—Zinc and lead chemicals and pigments electronic grade germanium silicon gallium sulphuric acid special purpose electric power supplies

CHICAGO VITREOUS CORPORATION DIVISION

MANUFACTURING PLANT CICERO ILLINOIS

PRINCIPAL PRODUCTS—Ceramics porcelain enamel frits for home appliances such as ranges refrigerators washers, driers freezers space heaters water heaters plumbing ware and for lighting fixtures architectural paneling outdoor signs and other products requiring protective finishes steel buildings (Lusterlite Corporation) manufacture and erection of all porcelain enamel service stations for the petroleum industry

FABRICON PRODUCTS DIVISION

MANUFACTURING PLANTS RIVER ROUGE MICHIGAN PHILADELPHIA
PITTSBURGH PENNSYLVANIA LOS ANGELES CALIFORNIA

PRINCIPAL PRODUCTS—Automotive door trim foundation panels trunk lining boards sound deadener parts floor carpets sunshade visors dash insulator mats glove boxes plastics Lamin Art decorative laminated sheets molded polyester Fiberglass or sisal parts custom impregnated papers textiles and glass cloth packaging materials plain and printed waxed paper printed cellophane and polyethylene

INSULATION DIVISION

MANUFACTURING PLANTS CLARK NEVADA DOVER NEW JERSEY
JOPLIN MISSOURI

PRINCIPAL PRODUCTS—Mineral wool insulations cements blocks blankets felts aluminum storm windows and screens storm and screen doors diatomaceous earth products fillers aggregates absorbents catalyst supports

MINING AND SMELTING DIVISION

MINES TRI STATE DISTRICT (MISSOURI OKLAHOMA KANSAS) GALENA
ILLINOIS LINDEN SHULSBURG WISCONSIN PARRAL MEXICO ZINC
SMELTER HEVRYETTA OKLAHOMA CONCENTRATING MILLS
COMMERCE OKLAHOMA GALENA ILLINOIS LINDEN SHULSBURG
WISCONSIN PARRAL MEXICO RARE METALS PLANT AND RE
SEARCH LABORATORY MIAMI OKLAHOMA

CONSOLIDATED SUPPLY COMPANY TREECE KANSAS

NORTHEAST OKLAHOMA RAILROAD COMPANY MIAMI OKLAHOMA

PRINCIPAL PRODUCTS—Slab zinc chat cadmium germanium silicon zinc concentrates lead concentrates

OHIO RUBBER COMPANY DIVISION

MANUFACTURING PLANTS WILLOUGHBY OHIO CONNEAUTVILLE
PENNSYLVANIA LONG BEACH CALIFORNIA STRATFORD CONNECTICUT

PRINCIPAL PRODUCTS—Custom made rubber parts for manufacturers in automobile agricultural implement electrical appliance toy and other industries molded extruded rubber to-metal mechanical rubber parts automobile floor mats miscellaneous mats weatherstrip tubing vibration mountings handle grips semi pneumatic tires (wheel goods, industrial agricultural) defroster hose tracks for track laying vehicles (military and industrial) and flexible vinyl parts products are manufactured from natural synthetic polyurethane and silicone rubbers